

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
August 11, 2021**

Avalon 1355, located at 1355 North Avalon Boulevard in Wilmington, requested and is being recommended for a reservation of \$1,358,683 in annual federal tax credit to finance the new construction of 53 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by The Richman Group of California Development Company and Brilliant Corners and will be located in Senate District 35 and Assembly District 64.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the NPLH program of HCD.

Project Number CA-21-541

Project Name Avalon 1355
Site Address: 1355 North Avalon Boulevard
Wilmington, CA 90744 County: Los Angeles
Census Tract: 2945.20

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,358,683	\$0
Recommended:	\$1,358,683	\$0

Applicant Information

Applicant: Avalon 1355 Partners, LP
Contact: Vanessa Luna
Address: 850 New Burton Road Suite 201
Dover, DE 19904
Phone: 213-378-9154
Email: vluna@brilliantcorners.org

General Partner(s) or Principal Owner(s): Avalon 1355 BC, LLC
Avalon 1355 GP, LLC

General Partner Type: Joint Venture
Parent Company(ies): Brilliant Corners
TRG Avalon 1355 Member, LLC

Developer: The Richman Group of California Development
Company
Brilliant Corners

Bond Issuer: City of Los Angeles
Investor/Consultant: Bank of America
Management Agent: Richman Property Services

Project Information

Construction Type: New Construction/Adaptive Reuse
 Total # Residential Buildings: 1
 Total # of Units: 54
 No. / % of Low Income Units: 53 100.00%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt/ HHH/ HUD Section 8 Project-based Vouchers (53 Units - 100%)

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Sarah Gullikson

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 27	51%
50% AMI: 26	49%

Unit Mix

37 SRO/Studio Units
 16 1-Bedroom Units
 1 2-Bedroom Units

 54 Total Units

<u>Unit Type & Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
19 SRO/Studio	30%	\$621
8 1 Bedroom	30%	\$665
18 SRO/Studio	50%	\$1,035
8 1 Bedroom	50%	\$1,108
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,171,980
Construction Costs	\$17,304,192
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,566,506
Soft Cost Contingency	\$100,000
Relocation	\$0
Architectural/Engineering	\$967,750
Const. Interest, Perm. Financing	\$1,689,224
Legal Fees	\$241,684
Reserves	\$878,109
Other Costs	\$1,529,085
Developer Fee	\$3,408,068
Commercial Costs	\$0
Total	\$30,856,598

Residential

Construction Cost Per Square Foot:	\$608
Per Unit Cost:	\$571,418
True Cash Per Unit Cost*:	\$571,418

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Bank of America	\$15,675,000	Bank of America	\$3,005,748
HHH	\$1,850,066	HHH	\$7,000,000
LACDA NPLH	\$7,000,000	LACDA NPLH	\$580,000
LACDA AHTF	\$530,000	LACDA AHTF	\$7,000,000
Deferred Costs	\$3,947,115	General Partner Equity	\$908,068
Tax Credit Equity	\$1,854,417	Tax Credit Equity	\$12,362,782
		TOTAL	\$30,856,598

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$26,128,525
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$33,967,083
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$1,358,683
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,408,068
Investor/Consultant:	Bank of America
Federal Tax Credit Factor:	\$0.90991

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Significant Information / Additional Conditions

The total development cost per unit is \$571,418. The main factors contributing to the high cost per unit is the hard construction budget and costs to mitigate a VOC spill hazard located at the site.

The proposed rents do not include any utility allowance. The owner will pay for all utilities.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.